

Message Text

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ACTION AID-59

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TO SECSTATE WASHDC PRIORITY 3166

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ALSO PASS AID/AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR EAID BG

SUBJ: PL 480, TITLE I RECOMMENDED COMPOSITION FOR FY 1975

REF: A. STATE 92148; B. DACCA 2151; C. BD-4033; AND D. BD-4045.

1. SUMMARY: OFFICIAL BDG PL 480 TITLE I REQUEST FROM PC FOR FY 75 AS FOLLOWS: 600,000 MT WHEAT (PREFERS 100,000 MT AS RICE) WITH ARRIVAL MINIMUM 200,000 MT PRIOR END 1974; 60,000 MT EDIBLE OIL (HALF CRUDE DEGUMMED BULK SOYBEAN OIL AND HALF FULLY REFINED SOYBEAN OIL IN DRUMS) WITH ARRIVAL MINIMUM 40,000 MT PRIOR END 1974; AND 180,000 BALES RAW COTTON, WITH 60,000 BALES TO ARRIVE PRIOR END 1974, TOTAL TITLE I REQUEST VALUE \$179 MILLION.

MISSION HAS NUMBER OF PROBLEMS WITH PC TITLE I AIDE MEMOIRE ASSUMPTIONS AND ESTIMATES WHICH ARGUE AGAINST OUR EFFORT TO FULLY MEET PC REQUEST. OUR RECOMMENDATIONS ARE AS FOLLOWS: 350,000 TONS WHEAT, 40,000 TONS EDIBLE OIL, AND 100,000 BALES COTTON (TOTAL VALUE OF PACKAGE ESTIMATED \$79 MILLION).

OFFICIAL REQUEST FORWARDED BD 4045, MAY 15 (ADVANCE COPY SUPPLY, DISTRIBUTION AND TRADE TABLES SENT BD-4033, MAY 13).

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2. FOODGRAINS: OFFICIAL REQUEST STATES THAT THE BDG AVERTED "A

DISASTROUS CRISIS DURING THE PAST TWO YEARS BY DIVERTING A MAJOR PORTION OF OUR LIMITED FOREIGN EXCHANGE RESOURCES FOR PROCUREMENT OF FOODGRAINS AS WELL AS THROUGH LIBERAL ASSISTANCE FROM THE FRIENDLY COUNTRIES. --WE HAVE COMMITTED OVER TAKA 2,730 MILLION (\$340 MILLION) FOR IMPORT OF ONLY 875,000 TONS OF FOODGRAIN-- TOTAL FOREIGN EXCHANGE EARNINGS DURING THE CURRENT FISCAL YEAR WILL NOT EXCEED TAKA 3,500 MILLION (\$440 MILLION). WE HAVE MADE THE PURCHASE OF THIS FOODGRAINS NOT ONLY BY EXHAUSTING THE FOOD BUDGET OF THE CURRENT FISCAL YEAR, BUT ALSO BY COMMITTING RESOURCES FROM THE FOREIGN EXCHANGE EARNINGS OF THE NEXT TWO FISCAL YEARS."

TOTAL FOODGRAIN IMPORT REQUIREMENT FOR FY 1975 ACCORDING TO S&D TABLES IS 1.7 MILLION MT. SAME AMOUNT NEEDED TO MEET FY 1975 OFF-TAKE. TO MEET OFFTAKE BDG HOPES OBTAIN 250,000 MT RICE FROM DOMESTIC PROCUREMENT. (LAST YEAR'S TARGET WAS 300,000 MT OF RICE; 70,000 MT WAS PROCURED.) BALANCE MUST BE IMPORTED. IMPORTS LINED UP FOR BALANCE CALENDAR YEAR 1974 BUT NOTHING ON THE BOOKS (REF E) FOR LAST HALF FY 1975. BDG COULD USE PL 480, TITLE I FINANCING FOR THEIR FULL REQUEST, 600,000 MT, WHEAT (HIGH COST OF RICE AND MUCH HIGHER OCEAN TRANSPORTATION APPEARS PRECLUDES CONSIDERATION OF RICE). OUR RECOMMENDATION FOR 350,070 MT BASED ON CONSTRAINTS OUT-LINED REF A WHICH WEAKENS THEIR ARGUMENTS FOR FULL AMOUNT.

3. EDIBLE OIL: REQUEST STATES "BANGLADESH IS SUBSTANTIALLY DEFICIT IN EDIBLE OIL AND OIL NEEDS-DOMESTIC PRODUCTION OF EDIBLE OIL IS ONLY 60,000 TONS IN TERMS OF OIL AND THE ENTIRE QUANTITY IS CONSUMED AT-RURAL-LEVEL". THEY STATE THAT ALL OIL FOR THE FAIR PRICE SHOP DISTRIBUTION SYSTEM AND FOR THE REFINERS, A TOTAL OF 156,000 MT, MUST BE IMPORTED. FOR FY 1975 THEY ESTIMATE OFFTAKE AT 108,000 MT. REFINERS REQUIRE 48,000 MT.

OFFICIAL REQUEST IS FOR 30,000 MT CRUDE OIL IN BULK AND 30,000 MT OF REFINED OIL IN DRUMS. IN VIEW RATION OFFTAKE ABOUT 35,000 MT FOR FY 1974 (WITH NO DOUBT A WIDESPREAD SHORTAGE OF HIGHEST QUALITY EDIBLE OIL IN THE URBAN DIET) APPEARS REQUEST INFLATED AND WE RECOMMEND 40,000 MT.

4. RAW COTTON: THE OFFICIAL REPORT STATES "IN RESPECT OF COTTON, BANGLADESH IS IN THE MOST CRITICAL POSITION WITH NIL DOMESTIC PRODUCTION-ANNUAL REQUIREMENTS-400,000 BALES-37,500 SPINDLES ARE EXPECTED TO BE COMMISSIONED FOR PRODUCTION DURING FY 1975-REQUEST AT LEAST 180,000 BALES OF RAW COTTON UNDER PL 480, TITLE I IN FY 75". LIMITED OFFICIAL USE

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REQUEST FOR 180,000 BALES REALISTIC. OUR RECOMMENDATION OF 100,000 BALES BASED ON APPARENT NEED, IN VIEW REF A TO REDUCE VALUE TOTAL REQUEST AND THE PREFERRED USE OF PL 480, TITLE I FUNDS FOR FOOD. WHILE BDG CONTINUES TO EXPAND NEW CAPACITY WITHOUT PRESSING FOR FULLER EXISTING CAPACITY UTILIZATION, BASIC TEXTILES ARE IMPORTANT ESSENTIAL GOOD, NOW NEEDED IN GREATER QUANTITIES TO LOWER THEIR PRICE.

5. POLITICAL AND ECONOMIC JUSTIFICATION: THE PRIMARY OBJECTIVE OF THE PROPOSED TITLE I PROGRAM FOR BANGLADESH IS TO SUPPLY A PORTION OF THE COUNTRY'S FOOD DEFICIT. THE BDG IS COMMITTED TO THE PROVISION OF FOODGRAINS AND EDIBLE OIL TO THE URBAN POPULATION THROUGH THE RATIONING SYSTEM. ITS ESTIMATE OF THE FOODGRAIN REQUIREMENT AND THE COST OF THE RATION SUBSIDY MAY BE OPEN TO QUESTION, PARTICULARLY AS THESE RELATE TO ALLOCATION OF RESOURCES FOR DEVELOPMENT AS AGAINST SHORT-TERM CONSUMPTION. HOWEVER THERE ARE NO SIGNS THAT THE BDG IS GOING TO ABANDON THE RATION SYSTEM. ITS SUBSIDY BURDEN MAY BE REDUCED BY INCREASES IN THE PRICES OF RATIONED ITEMS IF FOOD AID IS NOT FORTHCOMING FROM THE US AND OTHER DONORS, THE BDG WILL PROCEED TO ALLOCATE ITS OWN CRITICALLY SLENDER CASH RESOURCES FOR THIS PURPOSE.

IN ORDER TO ENCOURAGE THE BDG TO FOCUS UPON THE TRADE OFF BETWEEN LONG AND SHORT RUN FOOD OBJECTIVES WE PLAN TO START A DIALOGUE WITH THE BDG ON OUR TITLE I PROGRAM WHICH WILL STRESS THE USE OF FOOD RESOURCES IN A DEVELOPMENTAL CONTEXT.

THE JUSTIFICATION FOR THE TITLE I COTTON IS TO HELP IMPROVE THE SUPPLY OF L PRESENTLY SCARCE AND COSTLY ESSENTIAL COMMODITY.

6. PL 480 AND MISSION DEVELOPMENT GOALS: BANGLADESH WILL REMAIN THE WORLD'S POOREST NATION WITH THE HIGHEST POPULATION DENSITY FOR DECADES TO COME. ASIDE FROM SOME HELP FROM NATURAL GAS AND POSSIBLY OIL, NO MAGICAL ORGANIZATIONAL OR TECHNICAL INNOVATION WILL "SAVE THE DAY". THE COUNTRY'S RESOURCES ARE KNOWN: LABOR, LAND, WATER AND SUN. THE PRESSURES OF POPULATION ON RESOURCES MEAN THAT POLITICAL STABILITY CAN ONLY COME FROM IMPROVED REAL PER CAPITA INCOME. EMPLOYING MILLIONS OF PEOPLE IN AGRICULTURE AND RELATED ACTIVITIES IS ONE WAY, MANY WOULD ARGUE THE ONLY WAY, TO MAKE REAL PER CAPITA INCOME GROWTH MEANINGFUL. THE RESPONSIBILITY FOR THIS AGRICULTURAL DEVELOPMENT RESTS SQUARELY ON THE SHOULDERS OF THE CENTRAL GOVERNMENT. THEREFORE THE GOVERNMENT'S FOOD IMPORT AND DISTRIBUTION POLICIES NEED TO BE ANALYZED IN A DEVELOPMENTAL CONTEXT. THE LIMITED OFFICIAL USE

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CONTINUING PL 480 ROLE OF OUR PROGRAM WILL BE EXPLAINED IN THE DEVELOPMENT ASSISTANCE PAPER (DAP).

THIS PC'S PL 480 REQUEST PRESENTS SEVERAL DIFFICULTIES. DURING TIMES OF FOOD CRISES WE MUST BE GENEROUS, BUT DURING NORMAL TIMES THE BDG (WITH OUR ASSISTANCE) MUST GIVE GREAT EMPHYSIS TO FOOD PRODUCTION. DURING THE LAST 18 MONTHS DOMESTIC FOOD PRODUCTION HAS BEEN WELL ABOVE AVERAGE, YET THE GOVERNMENT'S FOOD CRISIS MENTALITY PERSISTS PRIMARILY BECAUSE OF INTERNAL DISTRIBUTION PROBLEMS. THE FOOD PROBLEM IS BASICALLY THE DISTRIBUTION OF DOMESTICALLY GROWN FOOD. THESE PROBLEMS BOIL DOWN TO: SMUGGLING; HOARDING; AND SEVERE FOOD SHORTAGES AMONG THE VERY POOR OUTSIDE OF THE RATION SYSTEM. THE BDG AND ONLY THE BDG CAN ADDRESS THESE PROBLEMS. ATTACHING POLICY REFORM "CONDITION PRECEDENTS" TO OUR PL 480 AGREEMENTS HAVE NEVER BEEN AN EFFECTIVE DEVELOPMENTAL PROCEDURE.

DURING THE LAST 18 MONTHS THE INTERNATIONAL FOOD SITUATION HAS BEEN VERY TIGHT. (FORTUITOUSLY, THE '73-'74 AMAN HARVEST WAS EXCELLENT AND THIS BORO SHOWS EVERY PROSPECT OF BEING LIKEWISE.) IN COMING YEARS, HOWEVER, THE US AND OTHER FOOD SURPLUS COUNTRIES MAY AGAIN HAVE AMPLE GRAIN TO EXPORT. TO THE EXTENT THAT THESE GRAIN IMPORTS ARE ALLOWED TO TURN THE TERMS OF TRADE AGAINST AGRICULTURE IN LDCS, EFFORTS TO ACHIEVE FOOD SELF-SUFFICIENCY AND EMPLOYMENT GROWTH COULD BE SERIOUSLY UNDERMINED. NOW IS THE TIME TO ENSURE THAT FOOD POLICIES CONTRIBUTE TO DEVELOPMENT. FORTH-COMING MEETINGS WITH THE PC ON SELF HELP WILL GIVE US THE OPPORTUNITY TO EXPAND ON THIS ISSUE.

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